

# **PARTICIPATION, CONSULTATION, AND ECONOMIC REFORM IN AFRICA**

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## **Economic Fora and the EG-DG Nexus**

October 2001

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## **ABOUT THIS PUBLICATION**

This occasional paper examines four economic forum experiments in Africa: the Ugandan National Forum, the National Economic Forum (Ghana), the National Economic Development and Labor Council (South Africa), and the Tripartite Negotiating Forum and the National Economic Consultative Forum in Zimbabwe. Through these four examples, the paper will explore the connections between economic growth and development, and USAID’s efforts to pursue those connections.

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## **ABOUT THE DG OFFICE**

The Office of Democracy and Governance is the U.S. Agency for International Development’s focal point for democracy and governance programming. The DG Office’s role is to provide USAID and other development practitioners with the technical and intellectual expertise needed to support democratic development. It provides this expertise in the following areas:

- C **Rule of Law**
- C **Elections and Political Processes**
- C **Civil Society**
- C **Governance**



## ACKNOWLEDGMENTS

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In the past decade it has become common practice for many bi- and multi-lateral donor agencies to urge host-country governments to include the representation of civil society and the private sector in setting priorities for national economic policies. Host governments have experimented with various institutional arenas, otherwise referred to as "economic fora" for enlisting civil society and private sector input in policymaking, often with mixed success. In order to acquire a better understanding of the workings of these arenas and to distill some initial lessons in designing effective partnerships among government, civil society, and private sector, the Office of Democracy and Governance initiated a four country study of economic fora Africa. Liz, then a Democracy Fellow at the DG Office, undertook onsite study in 1998 and 1999 in Ghana, Uganda, South Africa, and Zimbabwe, and she produced this paper, synthesizing her findings.



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# 1 Introduction

Economic restructuring, in spite of the social and political dislocations it can cause, remains an essential step in the process of growth and development for most developing countries. While conditions differ throughout the developing world, nearly all countries still struggle with the question of how to integrate economies in varying states of disrepair and non-competitiveness into the highly competitive global economy in a way that will provide for basic needs and ensure growth. At the same time, most of these countries are attempting to initiate or consolidate delicate and difficult transitions from authoritarian to democratic governance. This dual transition poses an important challenge for donors and others who support developing countries in their pursuit of democracy and growth.

While many African countries have moved toward more democratic forms of government, vestiges of autocratic rule still abound, as do the vested interests of those who profit from highly regulated economies—protected markets, opportunities for corruption provided by heavy regulation, and the like. Outside of these privileged groups, limited social and economic development means that the interests that would promote liberalization, social development, and protection of the poor are unevenly developed and organized at best and, at worst, may not have taken shape at all. Under these circumstances, finding a path through the numerous minefields of economic restructuring while remaining accountable to organized interests, as well as the public interest, is a mammoth challenge for any government.

To facilitate the navigation of this intricate course, some countries have established economic fora to bring together relevant actors from government and business, and sometimes labor and other constituencies, to weigh the merits of various policy options, identify problems, air grievances, propose solutions, and attempt to forge consensus on how to implement economic reform. The nature of these fora varies greatly, depending on the degree of cooperation from government, the level of development and inclusion of various stakeholder groups, and the level of assistance from donors, to name just a few key differences. In each case, however, the goal is to forge a viable path toward economic growth that is feasible and appropriate to the country's situation. Moreover, each of these experiments is premised on the notion that economic reform efforts, in order to be successful, require an element of democratic decision-making. USAID Missions are increasingly interested in supporting fora like these as a method of smoothing the way for needed economic reforms and promoting a policymaking process that appropriately reflects the needs and aspirations of affected constituencies, as well as protecting fragile democracies. The time is right to draw from the experiences of missions, governments, and non-governmental organizations (NGOs) who have participated in these experiences to spread the word about this important programming option, evaluate contributions to economic policy and democratic deepening, and draw lessons for program development and implementation.

This paper examines four economic forum experiments in Africa. Uganda's National Forum (NF) was established in 1992 as an arena for discussion of economic policy implementation. It was organized by a group of government and private sector representatives who saw that economic reform was on the right track in Uganda, but believed that important implementational issues that adversely affected the private sector needed to be addressed. The National Economic Forum (NEF) in Ghana is the latest in a series of undertakings in that country aimed at facilitating dialogue between the government and the private sector, each of whom has not traditionally trusted the motivations of the other. The forum process in Ghana has been more fitful than in Uganda because political tussles between the governing and opposition parties tend to underlay much of the ostensibly technical discussion. In both Ghana and Uganda, the forum process is essentially a non-governmental initiative, and each has been supported by USAID economic growth (EG) programs.

The National Economic Development and Labor Council (NEDLAC) in South Africa provides a significant contrast to Ghana and Uganda in that it is a government-supported, statutory institution with a mandate that emphasizes the inclusion of labor and broader community interests in its deliberations, in addition to those of government and business. In Zimbabwe, government efforts to establish the National Economic Consultative Forum (NECF) and later the Tripartite Negotiating Forum (TNF) were less of a success. The example, however, provides an additional window on the motivations behind efforts to establish consultative mechanisms for economic policymaking and on what can go right and wrong in the process. Overall, the similarities and differences among the cases provide excellent material for exploring the strengths and weaknesses of various organizational goals and structures in relation to the social and political context in which they have emerged. The lessons from these African experiments may then be compared or applied to efforts in other regions.

*Expected results of economic fora*

Why should donors concern themselves with the style of economic policymaking, if the policy outcomes are ultimately the “right” ones? It was long held that economic policymaking in transitional economies should be done by technocrats carefully insulated from the vested interests that would prevent proper liberalization, but analysts and development practitioners quickly learned that the politics of economic reform are equally as important as the policies.<sup>1</sup> Economic policy changes create winners and losers, and it can be essential that potential losers are given the chance to voice their concerns or receive some kind of recompense for the losses they may suffer.<sup>2</sup> This can be especially important when the losing groups—for instance, labor unions or powerful industrial interests traditionally protected by trade barriers—might be strong enough to block changes or create social instability.

Maintaining social peace is perhaps the most obvious element of policy sustainability and effectiveness, but there are also less apparent ways in which non-consultative policymaking might reduce the impact of policy change. Consultations may improve the quality and relevance of policy decisions if they give policymakers new information about the needs of key sectors. One of the costs of insulated policymaking is this information gap.<sup>3</sup> At the same time, however, if policymaking is too fraught with politics, it’s possible that no decisions will be reached. Consultative fora may be a method for de-politicizing policy discussions by putting them in a focused, technical setting (although there are important implications of this approach for overall democratic institutional development which will be discussed later in this paper).

Furthermore, the consultation process itself may improve the effectiveness of policy change. For example, if a government makes changes that should benefit private business, but has traditionally not been known to support the private sector, business people may not have enough confidence in the changes to respond with increased investment. Institutionalized consultation may play a key role in convincing investors of the government’s seriousness and preference for supporting private sector growth. Consultative mechanisms that include a broader array of interests (e.g., labor and community organizations) might also help policymakers think in new ways about what constitutes appropriate responses to global pressures for liberalization. Enhanced investment in worker productivity, for instance, might be a more appropriate response to competitiveness concerns than layoffs or reduced wages.

The outcomes above might be categorized as the economic gains to be expected from consultative approaches to economic policy reform. Wider acceptance of policy changes and improved quality of economic policies should ultimately lead to better economic performance. In addition to these potential gains, consultations should also be considered in terms of their contributions to improved governance and democratic deepening. As noted above, during a difficult dual transition to democracy and a market-based

economy, expectations are high while the impact of policy changes may be painful. Consultative mechanisms may play an important role in protecting democratic transitions if they can defuse the costs of economic reform. The nature and extent of participation, the degree to which consultations on economic policy affect government decision-making styles across policy areas, the contribution of the consultative process to enhanced accountability and transparency, and the impact of consultative mechanisms on other democratic institutions (such as parliaments and political parties) are all areas in which consultative processes might strengthen democracy. Furthermore, if the DG gains of economic fora are not weighed into the assessment of their performance, a major part of their impact may be underestimated.

In the following sections, evidence from the four case studies will be used to outline what economic fora can do, how they do it, and what sorts of results they have produced. The next section provides additional background on the connections between economic growth and democracy and on USAID's efforts to pursue those connections. Section 3 provides a description of economic fora as they were developed in Ghana, South Africa, and Uganda, and as they were attempted in Zimbabwe, highlighting the similarities and differences in their social and political antecedents, the degree of participation they embody, the kinds of policies they have dealt with, and the institutional structures they have established. Section 4 then addresses the issue of results, exploring the achievements and weaknesses of economic fora as revealed in the four cases.



## **2 Consultative Policymaking and the EG-DG Connection**

### **A. The EG-DG Nexus**

That economic reform is at the nexus of economics and politics is not a new notion. As noted in the previous section, the careful political balance between insulation from and engagement with stakeholders has been a hallmark of the most successful economic policy regimes. The Asian economic crisis drew into question just how well insulated policymakers were from political pressures in some of the better-performing economies, and issues of sustainability also challenge policymakers to think again about whether the protected, local private sector is the only relevant stakeholder with which policymakers should be consulting. The basic lesson from analyses of the Asian economies remains the same: Policymakers cannot successfully reform economies in a vacuum. Furthermore, in countries where constituencies for reform are few, managing the political risks of economic restructuring has been recognized as an essential aspect of reform.

Economic reform is itself a political phenomenon, with immediate and longer-term political ramifications. In countries with highly protected and regulated economies, some business people and bureaucrats flourish on the returns of local monopolies and the selling of access to controlled resources like business permits and foreign exchange allocations. This elite then becomes a privileged class controlling the majority of economic and political resources in the country. Reforming the economy can, in the initial stages, damage the interests of some of these patronage-based elites (although many are wealthy enough to take advantage of privatization schemes and other opportunities in an open economy). Over the longer term, if economic restructuring creates open markets and economic growth, it has the potential to allow the development of new resources not connected to existing political power structures, creating the foundation for a more balanced political structure. Both developments are profoundly political, as are the machinations to prevent the loss of power among the existing political class.

In very practical terms, economic reform and economic growth depend on and in turn affect political institutions and processes. The importance of developing and managing stakeholder coalitions has already been noted. In addition, the success of economic reform depends upon effective legal frameworks and functioning legal systems, as well as effective financial regulation.<sup>4</sup> Economic growth requires limitations on corruption, effective oversight institutions, and logical taxation schemes that are applied fairly. Transparency and accountability in both public and corporate governance processes are necessary. It is well past the days when analysts believed that just freeing prices and reducing trade barriers were enough to create economic growth; the rest of the job is deeply political.

### **B. Economic Policy Reform and Democratic Transitions**

If managing the multiple facets of economic reform is a complex task in its own right, doing it in the context of political transition—even if that transition is beyond the first, and shakiest, stages—makes the political dynamics even more challenging. Typically, expectations for economic improvement are high, while most economic reforms cause hardship, at least in the short term. As discussed above, economic reform threatens vested (usually non-democratic) interests which may be powerful enough to derail political reform. Finally, transitional governments may lack the experience and expertise to formulate and implement policy effectively.

All of these problems point to the important role that economic consultations can play in facilitating dual transitions.<sup>5</sup> Institutionalized consultation can help overcome resistance to change by promising

stakeholders a say in how the change is achieved. It can also be a tool for overcoming deadlock in transitional situations in which no single group has the power to press its own agenda into policy. At best, they may also improve the ability of policymakers to adapt economic reforms to the specific needs and demands of social, economic, and political constituencies. In the earliest stages of a transition (or in the waning days of an authoritarian regime), consultative fora may also be necessary simply to substitute for an ineffective or illegitimate government.<sup>6</sup>

### **C. EG and DG Programming**

USAID has been addressing the connections between economic development and democracy and governance for years. Democracy and governance became an explicit part of the Agency's mandate in 1994, but issues of governance, rule of law, and participation featured in Agency assistance long before that. The 1994 change, however, did signal the explicit recognition by the Agency that, without effective governance that is accountable to the needs and wishes of citizens, development resources often are not used effectively. In the worst cases, resources have been simply squandered by self-serving leaders and bureaucrats.

Since 1994, DG programming has expanded significantly, but perhaps has suffered from the same problems of singular focus that ultimately plague all development programming. Just as EG programming by donors lacked sufficient attention to the political dynamics of economic reform, DG programs are not necessarily undertaken with sufficient attention to the other areas that they affect and are affected by them. While each sector of donor programming—health, environmental protection, agriculture, etc.—employs ideas and methodologies specific to itself, the technical specialization tends to work against the need to plan, implement, and monitor programs in a way that takes advantage of positive spillover effects and minimizes negative ones.

A recently published study examines the actual and potential cross-sectoral impact of DG programs.<sup>7</sup> Many programs have been identified in which USAID Missions built in democratic practices in order to improve the performance of local-level health, environment, and economic empowerment assistance. Economic fora are an extremely important example of programs that can and should exploit cross-sectoral synergies at the national level. Like most of the local programs, however, there is little programmatic linkage among DG teams, EG teams, and implementors. In the two cases where USAID provided assistance to the fora, it was provided under EG strategic objectives, with little or no coordination with DG teams and programs. Whatever cross-sectoral benefits accrue are mainly by coincidence; while at the same time, other elements of EG or DG programs may undermine the goals of the forum or of the two sectoral programs. Better coordination of these spillover effects is feasible and is an important lesson of this study.

### **3 What are Economic Consultative Fora?**

In the simplest terms, economic fora are meetings, either *ad hoc* or regularly scheduled, at which representatives of specific economic interest groups (usually business and sometimes labor) meet with government representatives to exchange views on economic policy. Beyond this basic commonality, fora in Africa differ widely. Most have non-governmental origins. The Ghanaian and Ugandan fora are private sector initiatives. Government cooperates and, in the case of Ghana, convenes the forum under its auspices, but the bulk of the organization is done by a private sector organization. The NECF and TNF in Zimbabwe were products of joint effort by labor and business groups, which then were taken under government auspices, but this government participation is seen by most observers as undermining and constraining rather than strengthening the forum process. South Africa's NEDLAC is a notable exception as a government-supported institution, although it has its antecedents in a non-governmental body—the NEF that was established by business and labor representatives to deal with increasing economic and political instability in the waning days of apartheid.<sup>8</sup>

Fora may be tasked with actual negotiation of specific laws, or they may have more diffuse goals of exchanging views and planning for further collaboration. Fora may also differ on the constituencies represented, which constituency was the driving force behind the establishment of the forum, and the degree to which the forum is insulated from or is an arena for political competition. All of these factors affect the workings and outcomes of consultation and provide insights for programmers considering support to similar processes or institutions.

#### **A. Origins**

The case studies suggest that one of the most important factors affecting the institutional development and overall performance of an economic forum is its origins. Two general patterns are notable: Either fora are the result of the pressure of particular economic interest groups (usually business or labor), or they are government-supported. South Africa's NEDLAC is the only one of the cases that falls into the latter category, and it seems unlikely that many other governments in developing countries will be willing or able to invest the same kind of resources in such institutions. It remains, however, an extremely important example of the possibilities and limitations of such efforts and provides illuminating counterpoints to the other examples.

Non-governmental initiatives generally reflect the degree of social and organizational development of economic constituencies, as well as their perceptions of the need to address economic problems. In both Ghana and Uganda, private sector organizations led the way in pursuing consultations with government officials. In both cases, business people supported the general (liberal) direction of economic policy, but believed that certain aspects of policy needed improvement. Organized labor was not a major factor in either country, although union representatives have been included in the latest consultations in Ghana. In part, this was due to the fact that labor unions in neither country were a major political or economic force, although they had more of a presence in Ghana than in Uganda. It was also due to perceptions that unions were likely to block needed changes rather than facilitate them.

By contrast, in pre-transition South Africa, it was well-organized labor unions that agitated for the NEF (not the equally well-organized private sector) because they feared the ability of the National Party government to unilaterally liberalize the economy on the backs of (mainly black) workers who did not have a formal voice under apartheid. Business joined in the NEF effort, but that unity was forged mainly by the crisis brought on in part by labor's role in fostering political unrest and economic instability. Labor



continues to play a leading role in the NEDLAC, not only due to its political power (as a member of the ruling ANC coalition), but also because workers' representatives continue to see a threat in the government's liberal economic policy direction. Since NEDLAC is a government-supported body, much more balance exists between labor and business representation than in the primarily private sector-led initiatives in Ghana and Uganda. NEDLAC also mandates the participation of broader civil society interests (e.g., youth, disabled persons, and rural organizations) in one of its four chambers.

Zimbabwe's consultative efforts exemplify a slightly different pattern of economic stakeholders pushing for consultations but being undermined by an unsympathetic government. Well-organized business and labor groups, as well as other civil society organizations, began calling for more participation in economic policy discussions around 1996, as the economy started to falter and the government displayed increasing signs of authoritarianism and corruption. Labor unions and civic organizations were disturbed by the social costs of the country's structural adjustment program, which contrasted badly with the political leadership's increasingly lavish lifestyles. As labor unrest mounted, business joined calls for the government to take economic stakeholders' views into account. In 1997, it was announced that President Robert Mugabe would convene the NECF, but constituent groups immediately came to question the government's sincerity when broadly-recognized civil society organizations were not extended invitations and when it was announced that members would be welcomed only as individuals, not as representatives of any larger constituencies. Government efforts to control the consultative process quickly led to the NECF being dismissed by most independent participants as a useless "talk shop" which had no chance of substantively affecting any policy. It was only more than a year later, when deepening economic crisis precipitated extended strikes and social unrest, that labor and business were able to push government into more serious consultations under the rubric of the TNF. The NECF was considered too moribund and politically tainted to be a useful vehicle for the urgent discussions. Both the NECF and the TNF remain under government auspices, in separate ministries. The overriding theme in both cases has been government resistance to any direction from the larger society, despite the relatively strong capacity of stakeholder organizations. Many observers argue that, under current political conditions with the government increasingly isolated and defensive, all consultative institutions have been rendered useless.

## **1. Role of USAID and Other Donors**

In the two cases where donors have significantly assisted the forum process—Ghana and Uganda—support has been almost solely to business interests and organizations. The support has been of two main types: logistical and technical support for forum meetings, which has included assistance with research and preparation of position papers; and longer-term institutional support to particular business associations, usually to help them serve as the secretariat for the forum process and develop their capacity to promote private sector interests. In both countries, USAID assistance played a pivotal and catalytic role in the first forum meetings (although in Ghana the NEF was preceded by a long, if uneven, history of attempts at dialogue between the government and private sector). In Ghana, USAID supported the creation of the Private Enterprise Foundation (PEF), an umbrella organization that coordinates the NEF process, organizes the input of Ghana's business organizations, and maintains momentum from one NEF meeting to the next. In Uganda, USAID provided technical experts for initial NF meetings and supported the Uganda Manufacturers' Association (UMA) with a grant to promote policy analysis and dialogue on economic issues. The UMA served as the secretariat for the NF and later developed a special branch as an economic think tank and consulting organization. In recent years, a new umbrella organization, the Private Sector Foundation (PSF) has been supported by both USAID and the World Bank to take over coordination of the NF and other private sector interest coordination activities.



- In both these cases, one of the essential services provided by donors was the provision of technical expertise for initial meetings and support for the development of expertise within the local private sector. One of the main weaknesses of economic interest groups in Africa (business and labor), when challenged to participate in economic policymaking (often at their own request), is their inability to present strong analytic arguments and policy options.
- A second key contribution of donor assistance is the institutionalization of the forum process. Without an institutional home (secretariat), fora tend to become one-off events that are not taken seriously by policymakers. This raises other important questions regarding sustainability and ownership.

Although donor assistance has been essential to the forum process in Ghana and Uganda, an important question for donors is whether their support may artificially strengthen one set of interests over another. The fact that USAID's support has been through EG rather than DG programs has had an obvious effect on forum agendas and institutions; labor unions have received only minor assistance and attention. While appropriate to the goals of EG programs at least in the short term, this imbalance may shortchange potential long-term gains in terms not only of participation and democracy, but also in terms of economic stability and/or longer-term economic growth. These questions will be addressed in more detail below, but it is important to keep in mind the interlocking nature of economic and political factors in promoting or slowing economic development. A weak and underinformed labor sector could be equally detrimental to long-term growth as a weak and underinformed business sector.

## **2. Role of Governments**

All of the cases highlight the importance of government support for the success of economic fora. Nearly all interviewees in the cases report that the relative success or failure of their fora hinged on buy-in from key government officials. Zimbabwe and earlier consultative efforts in Ghana provide cautionary examples here. The shortcomings of consultation in Zimbabwe, where government has resisted and undercut consultations, were discussed above. Ghana's case is slightly more nuanced. For most of the 1980s and early 1990s, Ghanaian business organizations called for more dialogue on economic policy issues. Several fora and advisory groups were organized, although usually just before major negotiations with international donors. Despite these attempts and the overall liberal direction of economic policy, the government of Jerry Rawlings, in both its military and civilian incarnations, has been largely unable to strengthen the private sector's confidence in its economic management. Rawlings built his political career on populist rhetoric, which alienated the business community from the start, and, because the leading opposition party has traditionally been seen as the party of business, the government has never embraced the private sector unambiguously enough to allay the fears of the organized business community. Combined with a general pattern of keeping most decision-making within the circle of political loyalists, the government's failure to champion the private sector has resulted in a continued political adversarialism in the NEF and a weaker sense of its benefits among business and government officials.

In contrast, the Ugandan forum had an early champion in President Yoweri Museveni who, despite initial distrust of the private sector, responded very positively to overtures from the UMA suggesting the establishment of a forum for sharing views and working out effective responses to problems facing the private sector as Uganda moved to liberalize and restructure its war-torn and devastated economy in the early 1990s. By all accounts, the NF could never have gotten off the ground without Museveni's broad imprimature. In addition, a few key technocrats in the Treasury Ministry were essential UMA partners who promoted the idea and helped to counteract the suspicions and misgivings of various parts of the bureaucracy.

Finally, South Africa provides a clear example of the manifest benefits of government commitment and support. The NEDLAC enjoys a full-time secretariat partly funded by the state, a research arm, extensive communications to get the word out about its proceedings, and many other institutional accoutrements that the other fora can only imagine, as well as a broad mandate to review and propose changes to laws covering all aspects of social and economic development. The importance of government support is, ironically, also evident in the fact that some elements of the South African government have begun to suggest that the NEDLAC is impinging on the government's mandate to govern and the government's unwillingness to submit a few key policy documents for NEDLAC review and comment. Support for the NEDLAC remains strong among stakeholders, but, if government decides it no longer wants to work through NEDLAC, the institution will lose most of its clout.<sup>9</sup>

On the other hand, it is important to remember that certain kinds of economic changes might be made without government support. For example, a member of the West African Enterprise Network, a regional network of independent business associations, privately established a \$30 million credit fund for its members. Clearly, economic fora are aimed at a different level of policy change and in any case an appropriate governmental context for business is important, but it is useful to keep in mind other options when government support is unlikely.

## **B. Institutional Structure**

In addition to having the support of a secretariat, the fora in the four case countries were all organized into task forces or working groups and held annual (or more frequent) summits or plenary meetings. A plenary was the first event in most cases. The task forces did the bulk of the technical discussions and prepared progress reports and position papers for plenary sessions. The NEDLAC's structure is the most elaborate, with an executive council and a management committee overseeing the work of four chambers (labor, trade and industry, development, and public finance and monetary policy); each has a convenor representing each of the constituencies (labor, business and government, and community in the development chamber) and which can set up smaller working groups, all supported by a professional secretariat which organizes the NEDLAC's activities and also provides limited research support to the members. An annual national summit brings all participants together to review progress and raise new issues. In the other cases, a much smaller cadre of individuals works on the forum process, often with the same people serving several different roles. The Zimbabwean fora are the least developed institutionally, as they are the newest and the government has maintained tight control over their development.

The institutional structure of constituent organizations is also an important factor. In South Africa, where institutional development in society is relatively advanced, an attempt has been made to centralize labor and business representation to facilitate the development of unified positions. Numerous industrial associations and chambers of commerce are represented by an umbrella organization, Business South Africa (BSA). Comprising a confederation of smaller, mainly black-owned, businesses, the National African Federated Chamber of Commerce and Industry has been allowed to maintain an independent role for itself outside of the BSA umbrella, partly due to its concern that BSA was not giving it a role commensurate with the size of its constituency, and partly out of deference to the new South Africa's efforts to undo the extreme imbalance of power embodied in apartheid. Labor is represented by the Congress of South African Trade Unions (COSATU), the National Council of Trade Unions, and the Federation of Unions in South Africa, which together represent more than 66 individual unions (the federations also claim to represent dozens of unaffiliated unions, as well as unorganized workers and the poor and unemployed). One of the challenges of this structure is the difficulty of reporting back to members and attaining the mandates necessary for making commitments. This problem is heightened by the fact that the NEDLAC is sometimes expected not simply to comment on legislation, but actually to

negotiate the terms of some laws. As already noted, umbrella business organizations have also been set up in Ghana and Uganda to promote the development of clear policy positions to present to government.

### **C. Breadth of Participation**

The organizational and social roots of economic fora go a long way in predicting the breadth and type of participation that they promote. As would be expected, those originating from private sector initiatives only included labor late in the process. In both Ghana and Uganda, labor unions are now represented in NF meetings, but they are clearly on the sidelines of the business-government dialogue that dominates the substance and process of the meetings. In Zimbabwe and South Africa, where labor is more extensively organized, unions not only play significant roles in the fora, but they are also very important political actors. COSATU is a partner in the ruling African National Congress coalition, and the Zimbabwe Congress of Trade Unions is quickly becoming the major political opposition to the ruling party.

Beyond these broad generalizations, however, there are important variations that have implications for what fora can achieve. “Business” in most of the cases refers mostly to larger-scale, formal-sector business. In Uganda, business participation was originally even narrower—manufacturers, not commercial enterprise owners. In all cases, representation of small-scale and informal sector business has been limited. The umbrella organizations in Ghana and Uganda—PEF and PSF—both include constituent organizations that represent smaller businesses, but their impact is still small in overall discussions. To the degree that they share concerns with larger companies, their interests are represented, but this tends to be more by coincidence than by intention. This is not a particularly surprising finding in societies characterized overall by a low level of institutional development, but it is important for programmers to recognize the trade-offs, in terms of long-term development, of assistance that builds the capacity of organizations that represent mainly larger-scale and formal sector business.

Labor unions, for their part, may not seem to be important due to their relatively small size, or they may be seen as obstructing the goals of economic reform. They may, however, play a valuable role in maintaining attention to social costs of reform and more generally in ensuring that an economic forum does not become a closed, unaccountable mode of making policy. However, because the pressure for liberalization is great, unions can only be effective participants in policy discussions if they move beyond simple resistance to reform and develop longer-term and more sophisticated economic analyses. Yet assistance for developing analytical capacity has been meager. But the South African and Zimbabwean cases show that, where unions have the human capacity to look carefully at reform issues, they are willing to discuss options rather than block change. Labor and business in Zimbabwe, for example, largely agree with each other on the need for basic restructuring of government spending priorities and taxation policies to make them more helpful to business. (It should be noted that, in both cases, unions received donor support for economics training for union leaders as well as support for technical analysis units.) On the other hand, there should be no mistake that unions have valid differences of interest with business people. As noted previously, however, the long-term costs of an uninformed labor sector must be weighed against the shorter-term expediency of excluding this sector from deliberations.

While particularly relevant to labor participation, the evidence is that the observation above actually applies to all stakeholder groups. Participation that is not backed up with well-informed arguments and policy alternatives does not influence outcomes. This is of particular concern when forum advocates must overcome government suspicion, as well as for any specific group that participates under the suspicion of being obstructionist or irrelevant. In both Ghana and Uganda, where business groups faced initial suspicion on the part of government, a main focus of technical and institution-building assistance was developing business organizations’ ability to argue “based on facts,” as one Ugandan participant put it.

Participants in Ghana, where the atmosphere surrounding the NF remains more politically charged, attest that well-researched positions and policy alternatives are a key factor in attaining effective dialogue and change. Research on the Tripartite Consultative Labour Council (TCLC) in Zambia shows that the Zambian labor movement was ultimately unsuccessful in using the TCLC to bargain for relief from the most problematic aspects of the country's structural adjustment program because it was unable to offer alternatives. The South African labor movement, on the other hand, enjoys the benefits of a wide network of academics and other researchers who focus on labor issues, and it thus has been able to propose a wide range of new policy initiatives focusing on workplace training and flexibility to promote competitiveness. While business people in South Africa still believe that the labor market is too highly regulated, novel approaches to competitiveness have helped to avoid conflict and economic disruption. Donors can play an important role in promoting analytical capacity and related advocacy skills.

In addition to the obvious economic constituencies, fora might also include other voices. In all the cases, eminent persons from universities and civil society participate in forum meetings. In South Africa, a special role is given to representatives of community interests in the Development Chamber (one of four chambers that constitute the NEDLAC). The Development Chamber is mandated with reviewing a broad range of social policies such as national plans for developing housing and water resources. The chamber is considered quite weak, however, due in large part to the difficulty the various participant groups have encountered in organizing themselves for high-level policy discussion. The idea behind the establishment of and the expanded participation in the Development Chamber, however, is a valuable one. It is a further expression of the South African government's view of the NEDLAC as being not only a means for gaining agreement on important economic issues, but also a mechanism for deepening democracy in a country still struggling to overcome a history of brutal non-democracy.

It is also worth noting that individual stakeholder sectors are rarely unanimous in their response to the need for reform. In countries transiting out of high-regulation, high-protection economies, not all business people are likely to voice support for liberalization. Liberal reforms will hurt the parts of the business sector that flourished under non-competitive conditions. Even when business people generally support liberal reforms, there will still be debates about pace and phasing. Likewise, not all unions agree on opposing various aspects of liberalization. Referring again to consultative efforts in Zambia, economic reform was welcomed by mining unions because they expected it would bring investment and growth to the mining sector, while civil servants vehemently opposed the fiscal restructuring (and therefore job losses) that reform entailed. This is precisely what makes consultation an important part of economic policy reform. Even the World Bank has admitted that, in some countries, it pushed liberalization and competition too far and too early, before some sectors of the economy were ready for it.

#### **D. Goals**

Fora also differ on the goals they set out to achieve. Usually, more than one goal is evident, as in the case of the NEDLAC's pursuit of viable economic policy reform and deeper democracy. In other cases, the multiplicity of goals may be harder to sort out. In Uganda, the stated goal of the first NF meeting was to work with government to achieve effective implementation of economic policy, yet many participants from the business community say that an equally important motivation was overcoming a lingering distrust of private business on the part of the government. In Ghana, overcoming mistrust between government and business is an even greater part of the agenda, while the parties in Zimbabwe were much less interested in gaining the government's trust than in forcing changes in the way it made decisions.

The cases covered here suggest three main goals for economic fora; each has implications for the ways fora need to be organized and the institutional demands on constituent groups. A Ugandan business

person called the trust-building objective “**sensitization**.” The goal here is generally one of process, and nearly every participant in each case cited the fact that the sides were talking to each other as one of their forum’s major successes, although the degree of perceived success obviously varied. Sensitization is important especially in countries where a populist or socialist government is shifting to more market-oriented economy, often under the tutelage of international donors. In these settings, business is often associated with ill-gotten gains and privilege, and businesses may be further distrusted if they opposed the current leadership during its socialist/populist period, as in Ghana. Sensitization is also needed after a period of serious labor unrest. In this case, labor and business may be the groups who need to come to terms with one another, and the government may or may not be a key actor. All four cases also indicate that the goal of sensitization also carries with it a broader goal of democratization—a desire for government to change the way it makes decisions.

Sensitization is an important aspect of almost all economic fora, but it is unlikely to be a viable goal by itself. Without an agenda to work on, parties are not likely to see the need to meet. In addressing a policy agenda, a forum can aim for **consultation** or **negotiated outcomes**. Most fora are generally more focused on consultation. Their goal is to do more than just air views, and their stated purpose is an agreed-upon action plan or statement of principles. Only the NEDLAC, however, has been tasked with actually negotiating the terms of selected legislation, particularly in the labor sector. In this case, actual bills are forwarded by the NEDLAC to government, which forwards them to parliament. Focused consultation and follow-up on implementation require a steady institutional base for the forum process, while sensitization goals might be achieved through more *ad hoc* processes (although sporadic meetings might be perceived as lack of commitment by one or more parties, which would undermine trust). Pursuing negotiated outcomes puts extra pressure on participants to come armed with clear mandates from their constituents and strong arguments for their positions, since the final outcome may well become law. South African participants note that this process is extremely time consuming and can overload constituent organizations that lack human and financial resources, but it also gives them enormous influence on policy that they might not otherwise have. (It is noted that the NEDLAC does not negotiate all economic policy. As discussed in the next section, notable exceptions, even spectacular failures, abound.)

### **E. Types of Policies Addressed**

Economic reform encompasses a very broad range of policy areas, so it is important to specify the types of policy that economic fora have been able to address. “Stroke of the pen” reforms such as freeing exchange rates or altering interest rates cannot, by definition, be discussed in advance due to the risks of speculation. They may be debated in principle, with sides weighing in on the pros and cons of changes, but little more is feasible. The four cases indicate that consultation on the general direction of macroeconomic policy (i.e., moderated socialism vs. free markets) rarely works. Too many diverse issues are involved, and usually there are important audiences outside of the country (e.g., international donors and investors) to whom particular signals must be sent. In South Africa, the the African National Congress introduced its macroeconomic policy framework document, *Growth, Equity, and Redistribution*, with little consultation. As expected, the reaction of labor to the document’s strongly liberal direction was swift and indignant, and observers on all sides cite this as the reason why consultation was foregone. The government had decided on the message it had to send and was unwilling to give the impression that it could be negotiated.

Nearly all of the fruitful discussions in economic fora have focused on more discrete issues of fiscal and social policy, as well as aspects of the economic regulatory regimes. On these issues, the parties can identify specific problems and solutions. They might not agree on the problem definition or the solution, but concrete issues can be evaluated and negotiated. Also, at this level of specificity, the parties can make



a stronger claim regarding the importance of their input and are less likely to seem to be usurping the right of a government to govern. That said, it must be recognized that many of the issues raised in fora, especially in fora that are non-governmental initiatives, tend to contain an element of governance, in keeping with fact that fora are often the product of a desire to push governments to be more open in their decision-making. When business groups press the government to curtail deficit spending, for instance, it is often because they believe much of the spending is going toward political rather than economic goals. This has been an undercurrent of the Ghanaian experience and an overt part of the demands for consultations in Zimbabwe.

## **4 Impact—EG and DG Results**

Since economic fora sit so squarely at the intersection of DG and EG programming, it is tempting to say that outcomes cannot be evaluated separately in either category. Overall, results in terms of actual policy implementation and economic growth have been modest, at least in terms of what can be directly attributed to the fora. As a result, narrowly defining EG results may underestimate longer-term economic benefits gained from confidence building, institutional development, transparency, and accountability—all of which sound more like DG issues. A purely economic focus might also prevent programmers from giving due attention to political (and long-term economic) risks of excluding constituencies outside of the business sectors. Likewise, looking for performance only in terms of participation might force too much emphasis on process and not enough on policy outcomes. Neither option is optimal. However, because it is still rare for USAID programs to be implemented jointly across two goal areas, the results of economic fora are discussed below in separate EG and DG categories.

### **A. EG Results**

#### **1. Policy Formulation and Implementation**

Gains in the quality, appropriateness, or effectiveness of policy can be assessed at two different stages: policy formulation and policy implementation. At the formulation stage, it is assumed that fora might provide input that either improves the technical appropriateness of policies or pushes a government to adopt policies it might not otherwise adopt. Of course, there is no real measure for the appropriateness of policies except the final economic outcomes (e.g., growth and investment). This level of results is discussed further below. For the purposes of this discussion, the focus is on whether fora are successful mechanisms for altering policy in keeping with the preferences of stakeholders whose interests are assumed, either because of their potential for powering growth or blocking growth, to be important for achieving improved economic performance.

For the most part, fora have been most successful at forging consensus on specific reforms and regulatory changes. According to Ugandan participants and observers, the NF has successfully influenced the pace of privatization, specific revisions to tax policy to spread out the tax base, and changes in the financial sector to ease manufacturers' access to credit. (Slowing the pace of trade liberalization was also a major issue for the manufacturers who instigated the NF, but they were unsuccessful mainly due to pressure from donors.) In Ghana, some of the same tax and financial sector issues have arisen but have been subsumed under the larger issue of controlling government spending and deficits, which many private sector representatives blame for inflation and tight credit (government spending pumps money into the economy and government borrowing crowds out private borrowing). In South Africa, where labor plays such an important role, labor market issues have dominated the NEDLAC, although the Trade and Industry Chamber has also dealt with important policy related to competitiveness issues. Labor negotiations have been contentious and have produced spectacular failures as well as successes, as would be expected when the sides are both powerful and both facing tremendous dislocations related to reintegrating the formerly isolated economy into the world market. In Zimbabwe, NECF discussions have remained at a very high level of abstraction and rarely produce real outcomes, while TNF discussions have been more successful at achieving at least short-term agreements on issues like tax relief that defused impending labor action.

An additional aspect of policy improvement might be simply identified as creativity. Despite enormous pressure from external donors and domestic investors to liberalize all aspects of the economy, including

the labor law regime, South Africa has been able to respond with more creative ways of addressing labor issues than simply dismantling labor regulations and protections. Although expectations that NEDLAC would pave the way for a fully labor-friendly way of coping with the pressures of globalization have not been met, the NEDLAC has facilitated efforts like a jobs summit that brought together labor, business, and government to develop innovative approaches to retraining, labor flexibility, and sharing a focus on productivity in order to improve competitiveness.<sup>10</sup> Earlier, when the nation's major labor law framework (the Labor Relations Act) was being revised, NEDLAC discussions led to provision for "statutory councils" tasked with resolving labor disputes at the industry level.<sup>11</sup> The councils have been instrumental in reducing strike action in the country.

Despite some modest successes in altering policy to meet the goals and needs of investors and workers, on balance, the policy impact of fora has been important but modest, due to their limited ability to affect implementation. First, no forum has the power to make laws, so agreements and recommendations must successfully negotiate legislative or bureaucratic processes to become law or internal government policy. The NEDLAC is best suited for achieving this end, since its status as a statutory institution gives it higher standing with government officials than a civil society initiative has. There are mechanisms in place for NEDLAC agreements to go to the parliament for consideration, whereas in the other cases any translation of policy from the forum to the legislative or executive branch is strictly informal and dependent on the good will of legislators or government officials. Donors have played an important role in facilitating the first step of implementation—the development of specific action plans—through technical assistance and support for forum secretariats to prepare documents and follow-up meetings. Yet, even when forum agreements make their way into policy, there is little that the forum can do to assure that these policies are implemented, particularly in countries where bureaucratic performance is generally low. For these reasons, institutional analysis should be part of any strategy to assist an economic forum. Identifying where the policy blockages are likely to occur and including local policy managers at all stages of forum planning can help overcome implementation problems.<sup>12</sup> Wherever implementation was successful, participants cited the role of a key minister or other influential bureaucrat in bringing a particular agreement to fruition.

A further consideration regarding the quality of policy is the expectation that fora will insulate economic policymaking from the fractious, non-issue-oriented politics of a country. On this count, the evidence is mixed. On one hand, nearly all interviewees in Ghana, South Africa, and Uganda cited ways in which the fora do insulate policy discussions from the political fray. In Zimbabwe, resistance by the government to opening decision-making to outside input, combined with the unions' role as a major political opposition force, have been the main factors undermining the NECF and TNF. While a few agreements have been reached and discussions continue to take place, political competition between the government and those demanding participation overshadows these fora to a greater degree than in the other cases.

Yet even in the other cases, political forces are never far from the surface. Critics of the NF in Uganda suggest that its relatively narrow participation is due to the government's desire to include only those with whom it already generally agrees. In Ghana, implementation of budget agreements reached in the NEF has been unsatisfactory due to what many view as the ruling party's politically-motivated spending. In South Africa, long and ultimately unsuccessful negotiations to reach agreement on the Basic Conditions of Employment Act were "resolved" by the government tabling legislation in parliament that the business constituency still opposed, an outcome assumed to be the result of the government's political affiliation with the labor movement. The inevitability of political calculations affecting economic policy should be recognized, but great weight should be given to the perceptions of the local participants and observers that the policy process would have been even more fraught had the fora not existed.



## **2. Business Climate**

This issue is essentially a subset of the previous one. If policy is to be made in keeping with the interests of business or to promote labor cooperation with—rather than resistance to—economic liberalization, then the business environment is better. An obvious example is regulatory reform that simplifies the approval process for new investments. Even in the absence of major policy or regulatory gains, the business environment might be improved simply through the building of trust among government, business, and labor representatives. Investor confidence—the intangible element that determines whether business people will risk their resources in a particular setting—is an extremely complex phenomenon of perceptions and concrete conditions; evaluating the contribution of fora is equally complex. One indication of the role of fora in promoting confidence is that business people demand them, at least when a government's commitment to private sector-led development is in question (e.g., Ghana and Uganda). On balance, the Ugandan NF appears to have been more successful than the Ghanaian NEF, due to the difficulty in overcoming the political rivalry between the Ghanaian ruling party and the main opposition, which has close connections to the most vocal advocates of more open policymaking.

When fora appear aimed more at meeting labor's demands than those of business, their contribution to business confidence is more difficult to assess. Representatives of the South African Chamber of Business, when asked whether NEDLAC improved investor confidence, replied with the mixed response that it is probably a more favorable than unfavorable factor. A more clear response comes from the lead business convenor, who has been quoted as saying that, if NEDLAC did not already exist, South Africa would have to invent it—presumably to assure fair treatment of business interests in a labor-dominated government while at the same time offering institutionalized inclusion as an incentive for labor's cooperation with inevitable reforms.

## **3. Social Stability**

While social stability is not on first observation an economic result, it is appropriately discussed here for two reasons. First, social instability—particularly labor unrest—costs businesses money. As the former NEDLAC executive director pointed out in his farewell speech, while the NEDLAC had cost about 10 million rand up to that point, one avoided strike saved the economy at least that much. Second, social stability is an essential element of the sustainability of policy reform, and no reform will produce useful economic results if it is thrown out in the face of popular protest or labor unrest.

The cases suggest that economic consultations can help defuse instability, but they do not guarantee social calm. Between 1996 and 1997 alone, strike action in South Africa dropped 64 percent.<sup>13</sup> Despite the existence of NEDLAC, unions continue to choose their most potent tool to pursue their interests. Sometimes, this option was chosen to push forward stalled NEDLAC talks. At other times, disputes simply could not be resolved through the established mechanisms. Hasty meetings of the TNF forestalled impending strikes in Zimbabwe in 1998. But unions have returned to protest in Zimbabwe several times since then (in part because economic conditions continued to deteriorate and in part because their demands were political as well as economic; a barely-functioning body intended for technical economic discussions could not be expected deal with them. It is important to remember that labor action is a hallmark of any free economy and thus should not be seen as a failure of consultative mechanisms.

## **4. Measuring the Economic Impact**

Ultimately, all of the economic benefits here should contribute to higher growth rates. However, the number of intervening factors even between policy change and economic growth, let alone policy

consultation and economic growth, make such a broad measure of the economic impact of fora unrealistic. In keeping with the value that the participants put on the process, and with the limited ability of fora to affect implementation of policy changes, USAID Missions supporting fora have focused on the process gains. In Ghana, progress is measured against a set of milestones—establishment and meeting of the NEF, policy frameworks developed, particular follow-up actions taken, etc. In Uganda, a larger step was made to measure impact in terms of overall investment levels. The South Africa example suggests that, in a setting where labor is well-organized and influential, measuring progress in terms of agreements reached and the maintenance of social stability would be the best approach. Overall economic performance has not attained anything close to the levels expected by the post-apartheid government. Although South Africa's relatively rigid labor law regime is often blamed, it is only one of many factors inhibiting investment and growth, including a poorly educated work force and rampant crime.

## **B. DG Results**

Given that direct economic results of policy consultation are at best difficult to track, it is equally important for programmers to consider the gains that are made in terms of democracy and good governance. If these gains are not taken into account, then the overall benefits from fora are understated. At the same time, assessing economic fora from a DG perspective also helps identify weaknesses and risks to governance and overall institutional development that might be easily avoided in the design of fora and in donors' choices about how to support them.

It is impossible to make a blanket statement that economic fora are good for democracy and governance. Is a narrowly-defined realm of participation good for democracy because it broadens citizen input into policy decisions, or bad for democracy because it gives a small group of unelected individuals disproportionate influence over policy decisions? Do fora improve governance by providing needed information to the bureaucracies charged with policy development, or do they weaken it by sidestepping legislatures that are equally in need of education and policymaking experience? As was the case with economic results, DG gains must be evaluated at a lower level of generality. The following section disaggregates the aspects of democracy and governance that are most affected by consultative approaches to economic policy and evaluates their contributions.

### **1. Participation**

Several factors must be considered when assessing the role of economic fora in promoting participation. In a previous section, the question of who participates was addressed. Business and government were the main participants in Ghana and Uganda. Labor unions were included, usually at a later stage, and often played a marginal role due to lack of capacity and political clout. In South Africa and Zimbabwe, on the other hand, labor groups play an equally important role as the other two stakeholder groups, due to their organizational strength and to their greater capacity to deal with complex policy issues. And while all the fora generally included the presence of various "eminent persons," including civil society representatives, only the NEDLAC in South Africa mandated the participation of broader "community interests" in its formal structure. On these basic grounds, the NEDLAC structure would be deemed the most participatory, in keeping with the South African government's conception of the institution as not only a mechanism for reaching policy agreements, but also for deepening South African democracy.

Beyond the basic principle of democratic participation, there are other reasons for valuing broad participation over narrow. Participation may be an important educational tool for groups that are not accustomed to policy debates. Although the Ghanaian Trades Union Congress (TUC) was largely marginalized in economic consultations, its role has grown over time, to the point where a special

meeting was organized to deal solely with labor issues. Interviews with TUC representatives in 1998 also indicated that the unions had come a long way from the days in which economic reform was anathema. Leaders accepted privatization and public sector retrenchment as “facts” and reported that their main concern was how to manage the process, not fighting about whether the process should take place.

Beyond the question of which constituencies are formally included, there is important consideration of the representativeness of the groups that participate in the name of these constituencies. Even in South Africa, where civil society networks and institutions are best developed, some observers question whether the NEDLAC is really an inclusive mechanism of democracy or an elite club of organizations and individuals who gain an inordinate say over economic policy. The criticism is even easier where business associations and unions represent much smaller sub-groups of larger constituencies.

## **2. Transparency and Accountability**

In all the cases, participants and observers noted the role of fora in promoting transparency and accountability by compelling government, business, and labor representatives to articulate their positions on particular issues. These statements then become part of the public record and give participants and society at large a means of judging leaders’ performance against statements made and agreements entered into. Even when fora succumb to the worst criticism—that they are simply “talk shops” which agree on little and implement less—the talk is an important mechanism for opening the policy process to public scrutiny. While the most obvious gain in these terms might be the impact on government transparency, benefits might also accrue through business and labor groups’ ability to gauge the other’s intentions and plan accordingly.

Certain types of commitments produced in economic fora may have a particularly large impact on transparency and accountability. Among the most important are agreements by government to submit national budgets for review and input either to the forum or to the legislature, and/or for more specificity in publicized budgets. In Ghana, NEF discussions led to the government’s commitment to submit a “broad budget,” which included foreign assistance transfers, for parliamentary review. The broad budget greatly clarified the country’s debt situation and enabled more accurate analysis of future economic scenarios. There is still a long way to go toward budget transparency even in the best cases, as military spending and other categories remain at very high levels of generality, thus preventing effective analysis of the uses to which large amounts of government funds are being put, but small gains must be considered important. Gains can also be made through a forum’s attention to regulatory issues. In Uganda, under the aegis of the NF’s focus on investment promotion, a project was undertaken to detail the steps required for an investor to start a new company. The result revealed extensive levels of bureaucratic redundancy and red tape in the investment process. Not only were the investment regulations streamlined as a result, but important political issues such as civil service reform and government regulation in general were given a very concrete expression.

## **3. Government/Civil Society Interaction**

Fora provide a concrete setting in which some civil society representatives and some government officials may learn the practice of consultation. As some participants pointed out, the forum mechanism can level the playing field for civil society representatives by providing access to government officials outside of the realm of personal connections and can act as a platform for increased cooperation between government and civil society. In Ghana, for instance, while NEF meetings can be a rather unwieldy series of speeches and general statements (that nonetheless have produced important agreements), they also led to bi-monthly meetings between the PEF and the Office of the Vice President. Several of the cases also

attest to the role of fora in creating useful working relationships between business and labor representatives, and government technocrats, through the mechanism of working groups. These relationships probably come the closest to replicating the notion of “embedded liberalism” in most African countries, where civil servants were traditionally concerned with expanding the government’s role in the economy, not contracting it. At the same time, however, there is a risk of fora creating too close a relationship between particular organizations and the government. In Uganda, some observers expressed concern that the UMA had sacrificed its status as an independent organization in return for the favorable relationship it, and the NF it supports, enjoys with Museveni.

#### **4. Economic Fora and Legislatures**

From a DG perspective, one of the most obvious concerns about economic fora in transition settings is their relationship to newly-established, often weak, legislatures. On one hand, fora can complement legislative deliberations by filling informational gaps and providing institutionalized leadership for important policy initiatives. On the other hand, they may circumvent elected institutions and weaken the institutionalization of democratic governance.

In all the cases, forum participants and observers noted why economic policy should not be left to the legislature. In Zimbabwe and to a lesser extent in Ghana, parliament is seen as controlled by the executive and unwilling to accept policy direction from outside the ruling party. In Uganda, the concern appears to have been more that new MPs were simply incapable of addressing the complex economic issues facing the country. In South Africa, the justification for the existence of NEDLAC to complement parliamentary consideration of economic policy is based on both the claim that NEDLAC expands democratic access and also on the observation that the structure of representation in the parliament, based on political parties, does not give sufficient standing to all the economic stakeholders. As is typical in most African countries, voting is based on ethnic, regional, or historical affiliations rather than policy orientation. Thus in all cases, fora were reviewed positively for putting some distance between economic policy and the fray of politics and allowing discussion to be based on facts rather than political calculations (although, as discussed above, this detachment was by no means complete). At the same time, it was noted by several participants, including a Ugandan MP, that including selected legislators in forum discussions was an important means for educating them on economic issues, raising their estimation of participating interest groups, and increasing their experience with consultative decision-making.

From the perspective of economic policymaking, these are not small achievements. However, questions are appropriately raised about whether taking decision-making and consultations out of the legislative arena compromises democratic institutional development. While selected MPs may be educated through their participation in fora, this will have minimal impact on the overall ability of the legislative branch eventually to assume its full role in policy deliberations. Furthermore, if policy generally goes directly from the forum to the executive branch, as it has in most of the cases covered here, then the representative role of the legislature is undermined. This is of particular concern if the forum is actually charged with drafting policy, if participation is limited to a narrow set of interests, and where policy typically originates in the executive branch and the legislature has little ability to change it. On the other hand, if the legislature generally does not play an effective representative role anyway, a forum may be the best opportunity for voices from outside the government to have some say in decisions regarding the economy.

In the four cases, this issue has been dealt with in several ways. Initially, parliamentarians were not invited to NF meetings in Uganda, an oversight that organizers now cite as a mistake, from the perspective of both political expediency and the long-term interests of good governance. Promoters of the NF now cite both the education of MPs and the increasing activism of parliament in reviewing and

revising legislation as evidence that the NF does not sideline or undermine proper legislative processes in Uganda. In South Africa, where the NEDLAC is actually charged in some cases with negotiating and drafting legislation, procedures are identified for moving policy from the forum to the relevant ministry and then to parliament. In Zimbabwe, on the other hand, agreements reached through the TNF are put into action directly by the executive. While this is clearly not an optimal solution, most business and labor participants see the Zimbabwean parliament as a one-sided body, which is ultimately powerless in any case to do other than what the executive decides. At the same time, however, economic crisis offers opportunities to forge alliances among people who see the costs of the country's governance problems, and some of those people may be in parliament.

In the final analysis, a balance should be sought between the emphasis on the policymaking effectiveness of a forum and the concern for building and maintaining the integrity of legislative processes. At minimum, a plan for including some elected representatives in forum proceedings and for submitting agreements reached in fora to the legislature should be part of the design. This is important not simply for protecting DG goals, but also for retaining opportunities for access to the political process when fora run their course. There is some evidence that economic fora, especially when their underlying goal is sensitizing government to the needs of particular constituencies, have a life cycle which ultimately ends in their irrelevance. Some participants in the NF in Uganda have suggested that it has already reached this stage. The government now takes business concerns seriously, and working relationships between government and business have been established. But while the old job of just getting the parties together to discuss things may not be needed, much remains to be done on implementation and continued policy and regulatory change. If the NF is no longer seen as relevant, then an effective legislative branch is essential for ensuring continued access to policymaking.

## **5. Economic Fora and Political Discourse**

Just as economic fora may be expected to help disentangle economic policy discussion from the non-issue-based political wrangling that typifies many new democracies, it might also be expected that fora would help raise the overall level of understanding of economic issues in the political system and perhaps even to help reshape political coalitions or political parties around policy issues.

Evidence from the cases suggests that over the short term, fora have little impact on the bases of political party identification, although it is possible that long-term economic growth (facilitated by gains achieved through fora) might ultimately cause some reordering along these lines. The Ugandan NF is the oldest of the four, and political alignments do not appear to have changed to any significant degree as a result of its activities. The non-party National Resistance Movement structure overlays old political parties, most of which oppose the movement, and there seems to be little change in those ethnic and personality-based identities, despite great progress on the economic front. Moreover, the movement defines itself much more as a non-ethnic political alternative to multi-partyism than in terms of its economic direction. This should be expected in countries where the vast majority of the population and economy is involved in subsistence agriculture; economic growth has a long way to go before it alters the basic conditions and world views of most people.

In Ghana, political parties have long been defined in terms of ethnic identity; the general association of the opposition New Patriotic Party with the business constituency has as much to do with long-standing economic differences among ethnic groups and residual anger over ruling National Democratic Congress' populist history as it does with any major disagreement over the general direction of the economy. As the parties continue to vie for political control, disagreements over economic policy are becoming an increasingly common part of their appeals, but by no means are they overshadowing more traditional



regional and patronage-based appeals. Even in South Africa and Zimbabwe, where workers have become a key political force, this economically-based identity intermixes with race, ethnicity, and other traditional political linkages in determining political loyalties. Observers consistently note that even as COSATU considers whether it should dissolve its political alliance with the ANC, workers in South Africa continue to vote overwhelmingly for the party.

Increasing the impact of economic issues is clearly an important requirement for strengthening the impact of economic issues on political discourse. In only one of the cases (South Africa) did information and communications decisions figure significantly in the design of the forum mechanism. More attention to the role of the media in publicizing forum discussions and explaining the issues at stake could be an important addition to forum programming. This element of a forum program could be easily integrated into a larger media program. Many countries have found that economics-related training is needed to facilitate issues-oriented reporting on economics.

## **6. Economics as a Wedge for Increased Openness in Other Policy Areas**

Due to the urgency that economic reform issues can take on—both because economic decline can create political instability and, perhaps more importantly, because international donors and lenders can withhold funds until policy conditionalities are met—governments appear more willing to at least appear to be sacrificing policymaking autonomy on economic issues, in the hope of winning international approval or avoiding strife. With economic consultations giving governments, stakeholders, and observers initial experience in more participatory policymaking, it has been suggested that they might constitute an important wedge for increasing participation and openness across the political arena. In addition, given that in most of Africa political and economic power have gone hand in hand, it is worth asking whether economic reform would open the economy and provide sufficient opportunities in the market to break the patronage-based power structure and spread economic and political opportunity more broadly.

The cases offer minimal positive evidence for either of these expectations, at least in the short term. In terms of procedure, there is little indication that consultations on economic policy have inspired governments toward more openness and participation on other policy issues. Rather, governments have opened themselves to discussions on economic policy while other mechanisms of participation—especially elections and legislatures—were being put in place (Ghana after 1992, Uganda, South Africa), or economic consultations were accepted under duress and had little impact on either policy or the government's general way of doing business (Ghana before 1992, Zimbabwe). Regarding the former cases, performance differs greatly from South Africa to Uganda to Ghana, but in all these countries, there is a growing sense that parliaments, in particular, are beginning to assume their role as counterbalances to executive branch influence on policy. Especially in Ghana and Uganda, the urgency of economic issues appears to have catalyzed extra attention and openness over and above the slower development of the political system as a whole, but it is difficult to assert that no progress is being made in other areas, or that economic policy consultations have paved the way for the progress that is being made. On the other hand, economic fora do offer the possibility for some stakeholder representatives to establish themselves as opinion leaders (within the mainly elite circle of citizens paying attention to economic reform) and thus may serve as an incubator or proving ground for future leaders from outside the government.

In terms of policy substance, there is little evidence that economic reform in general or the specific changes negotiated in economic fora fundamentally alter the political/economic power structure in a way that would create greater openness, at least not in any automatic or mechanistic way. The restructuring of economic power is a very long process, and the political ramifications of that restructuring usually take even longer.

## **5** Conclusions

Overall, economic fora are important procedural innovations for reassuring stakeholders that they will have a voice in economic reform, but they are marginal contributors to macro-level political and economic restructuring. They have greater impact when political opening is already taking place, and the key determinant of their political and economic impact is the preference of political leaders—to make them relevant or to sideline them. The organizational, economic, and political power of relevant stakeholders is the second major variable affecting a forum's impact, although it appears rare that economic fora can force governments to do things they do not want to do, particularly in less-institutionalized democracies where executive and/or ruling party dominance of the political system is common. The main contributions of economic fora to democracy and governance are at a much more specific level—small gains in transparency and accountability, increases in the level of trust between participating stakeholders and government, expanding government and civil society experience with cooperative decision-making, broadening the public discourse on economic issues, and educating government policymakers—all of which will take significant time to ripen into systemic change. On the other hand, disregarding the political or democratic aspects of economic fora poses the risk of undermining the development of democratic institutions, such as legislatures, and thus limiting the ability of economic stakeholders to affect economic policy in the longer term.

Economic gains are also mainly at the level of specific regulatory changes, although some larger legal frameworks have been hammered out in certain cases. Limited ability to affect policy implementation is a major weakness that undermines those agreements which do emerge, and even when agreements are implemented, there is little way of determining the economic impact of individual regulatory changes. Why, then, do economic consultations catch the imagination of so many development practitioners? In part, it is due to the high and broad expectations about what economic consultations might be able to accomplish. But even when it becomes clear that the achievements, at least in the short term, are much smaller, economic consultative mechanisms still command interest. In spite of the rather pedestrian results, participants—even those who don't necessarily welcome consultations or certain parties to the consultations—overwhelmingly argue that the process in itself is valuable for their country's ongoing political and economic development, as well as their own interests. The cases provide an array of useful insights on how economic fora function best and what donors can do to assist; however, ultimately, the most important lesson is that members of stakeholder groups are willing to invest time and energy in a process whose results they believe are important, even if the fruits of their labors will not be fully realized for some time to come.





## Endnotes

<sup>1</sup> For a broad discussion of the balance between state autonomy and constituency relations that is required for economic reform, see the introductory chapter of Stephan Haggard and Robert Kaufman, eds. *The Politics of Economic Adjustment* (Princeton University Press, 1992).

<sup>2</sup> A useful summary of the issues and literature on constituency management in economic reform processes is Deborah Brautigam, “Winners and Losers: The Politics of Participation in Economic Policy Reform,” paper prepared for the USAID Conference on Economic Growth and Democratic Governance, October 1997.

<sup>3</sup> Indeed, the much-vaunted economic policy in the Asian “tiger” countries was a product of the combination of technocratic autonomy and close ties between government technocrats and business people. This is the defining characteristic of the “embedded autonomy” that is credited with economic policy success in these countries. See Peter Evans, “The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change,” in Haggard and Kaufman, eds. *The Politics of Economic Adjustment*. Given developments in Asia during the 1990s, however, it is also important to reassess how much autonomy technocrats really enjoyed, as well as to examine whether technocrats should actually be embedded in ties with all stakeholder groups rather than just with business.

<sup>4</sup> See Clague, Christopher, et al, “Contract-intensive Money: Contract Enforcement, Property Rights, and Economic Performance,” paper presented at the USAID Conference on Economic Growth and Democratic Governance, October 1997.

<sup>5</sup> A comprehensive statement on the desirability of developing economic reform packages through democratic mechanisms is Adam Przeworski et al, *Sustainable Democracy* (Cambridge University Press, 1995), especially chapter 5.

<sup>6</sup> See Steven Friedman and Mark Shaw’s article, “Power in Partnership? Trade Unions, Forums, and the Transition,” in Glenn Adler and Eddie Webster (eds.), *Trade Unions and Democratization in South Africa, 1985-1997* (St. Martin’s Press, 2000).

<sup>7</sup> Hal Lippman. *Linking Democracy and Development: An Idea for the Times*. USAID Program and Operations Assessment Report No. 29 (USAID/Center for Development Information and Evaluation, June 2001).

<sup>8</sup> In another example, the Tripartite Consultative Labour Council (TCLC) in Zambia was established by law after extensive labor protests in the early 1990s, but that did not guarantee it support from the government. For a comparison of fora in Zambia and South Africa, see Glenn Adler and Eddie Webster, “Bargained Liberalization: The Labour Movement, Policymaking, and Transition in Zambia and South Africa,” paper commissioned by the Multinational Working Group on Labour Movements and Policymaking in Africa for the Council for the Development of Social Science Research in Africa, July 1997.

<sup>9</sup> Much of the discussion about the future of NEDLAC has been reported in *Business Day*, a South African daily. A searchable database is available at <http://www.bday.co.za>.

<sup>10</sup> On expectations that consultative mechanisms would allow countries to bargain the terms of their integration into the world economy, see Adler and Webster, “Bargained Liberalization....”, July 1997.

<sup>11</sup> See E. Webster and K. Gostner, “NEDLAC: Building Consensus in a New Democratic Order,” a paper presented to the Multinational Working Group on Labour Movements and Policymaking in Africa for the Council for the Development of Social Science Research in Africa (CODESRIA), Dakar, Senegal, December 1998.

<sup>12</sup> See Derick W. Brinkerhoff and Nicolas P. Kulibaba, *Perspectives on Participation in Economic Policy Reform in Africa*, IPC Working Papers, no. 8. December 1994.

<sup>13</sup> From 1.7 million person-days lost in 1996 to 650,000 in 1997. Not all of the credit can go to NEDLAC, as other arbitration and mediation bodies were also playing a large role in resolving labor disputes. But all agree that NEDLAC has improved the ability of the system to cope with change; many cite the comparison between the 1988 attempt to revise the Labor Relations Act, when strikes brought the economy to a standstill, and the successful—if contentious—process of revising the act in the 1990s.

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